

# STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

Title XIX

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 31, 1996

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 U.S.C. 1396 r-4 Section 1923(b) of the Social Security Act

7. FEDERAL BUDGET IMPACT:

a. FFY 97 \$ 2.1 million

b. FFY 98 \$ 2.1 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Section IV  
Pages 27, 28, 29, 30-37

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19A  
Pages IV-27 through 28  
Page IV-29 is new  
Pages IV 30-to IV-37 are new

\*\*\* SEE REMARKS

10. SUBJECT OF AMENDMENT: Change in the Reimbursement Methodology for New Jersey Private Psychiatric, All Special (Non-Acute), All Rehabilitation Hospital Disproportionate Share Hospital Payments

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

Exempt, pursuant to 7.3 of the plan

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*William Waldman*

13. TYPED NAME:

William Waldman

14. TITLE:

Commissioner

15. DATE SUBMITTED:

12/27/96

16. RETURN TO:

Division of Medical Assistance  
and Health Services

CN-712

Trenton, New Jersey 08625-0712

17. DATE RECEIVED:

19. EFFECTIVE DATE OF APPROVED MATERIAL:

10/31/96

20. TYPED NAME:

21. REMARKS:

replaced and approved as follows: Attachment 4.19-A pages IV-27, IV-28 and page IV-33

**Reimbursement for New Jersey Private Psychiatric, All Special (Non-Acute), and All Rehabilitation Hospitals (excluding Distinct Units of All Hospitals) Disproportionate Share Hospital Payments**

**(DISPROPORTIONATE SHARE)**

**DEFINITIONS:**

For the purpose of this State Plan Amendment, "hospital" means all private psychiatric, all special (non-acute) and all rehabilitation hospitals (excluding distinct units of all hospitals) located in the State.

"Low-Income Utilization Rate" means for a hospital, the sum of the following two fractions:

A fraction (expressed as a percentage), the numerator of which is the sum of the total revenues paid the hospital for patient services under a State plan approved under this title and the amount of cash subsidies for patient services received from State and local governments in a period, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period.

A fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in the above fraction in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient services in the period.

"Medicaid Inpatient Utilization Rate" means a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for medical assistance under a State plan approved under this title in a period, and the denominator of which is the total number of the hospital's inpatient days in that period. The term "inpatient day" includes each day in which an individual (including a newborn) is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

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Supersedes TN New Effective Date OCT 01 1996

II. METHOD OF PAYMENT

A. Hospitals that are deemed eligible to receive DSH payments on the basis of Low Income Utilization or both Low Income And Medicaid Utilization will receive annually a DSH payment that is equal to one-hundredth of one percent of non-DSH Medicaid payments for inpatient services for each percentage point by which the hospital's low income utilization exceeds 25 percent (i.e., the number of percentage points multiplied by 0.01 percent multiplied by the hospital's non-DSH Medicaid payments for inpatient services).

B. A hospital that is deemed eligible to receive DSH payments on the basis of its Medicaid Inpatient Utilization Rate but has a Low-Income Utilization rate that is less than or equal to 25 percent will receive annually a DSH payment that is equal to one-hundredth of one percent of non-DSH Medicaid payments for inpatient services for each percentage point by which the Medicaid inpatient utilization rate exceeds one standard deviation above the mean Medicaid inpatient utilization for all hospitals in New Jersey (i.e., the number of percentage points multiplied by 0.01 percent multiplied by the hospital's non-DSH Medicaid payments for inpatient services).

(i) Hospitals with a Medicaid Utilization Rate that is equal to one standard deviation above the mean Medicaid inpatient utilization rate for all hospitals in New Jersey shall be considered as having a rate that equals one percentage point plus one standard deviation above the mean Medicaid inpatient utilization for the purposes of calculating a DSH payment.

C. Governmental special (non-acute), or governmental rehabilitation hospitals will receive a DSH payment equal to the hospital's cost of providing care to Medicaid eligible and uninsured patients using Medicare principles of reimbursement, less payments received for Medicaid and uninsured patients.

D. Payments by the Division of Mental Health Services, Department of Human Services, under a contract for community care services to private psychiatric, special (non-acute), and rehabilitation hospitals, that have a New Jersey Medicaid utilization that is at least one (1) percent, shall also be considered Medicaid DSH payments. These payments relate to the cost of services provided to low income patients in accordance with Section 1923 (c) (3) of the Social Security Act. This payment shall not affect a hospital's eligibility for or the amount of any other Medicaid DSH payment as set forth in A or B above.

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